

Case Study

**Savannah's Crossroads Business Center:
Developing Wetland Property**

August 2000

Prepared by:

Joy Wilkins

Center for Economic Development Services

Georgia Institute of Technology

Atlanta, Georgia

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Overview Savannah's Crossroads Business Center: Developing Wetland Property

When the federal government changed its definition of what constituted a wetland during the 1980s, it significantly impacted coastal communities such as Savannah, assigning wetland status to greater portions of developable land. The Savannah Economic Development Agency (SEDA) realized that the lengthy environmental permitting process required by The Clean Air Act for wetland property would be a barrier for some companies seeking to locate in Savannah.

SEDA worked closely with several environmental groups and related experts to create a development plan and strategy for developing 1,784 acres of land now known as the Crossroads Business Center. In doing so, SEDA has effectively reconciled environmental interests with economic development goals, and has maintained local development control over wetland property.

Crossroads Business Center was the first large-scale industrial park to receive a 404 permit. The pre-permit allows companies to locate in Crossroads without incurring the time and expense associated with seeking a permit to cover their individual properties. Once SEDA obtained the permit, it proceeded to develop Crossroads into an environmentally sensitive industrial park that has also enabled coastal Savannah to attract significant investments for corporate headquarters, warehouse and distribution, and manufacturing operations.

Conditions Leading to the Practice¹

In 1986, two large companies approached SEDA with an interest in locating in Savannah if land meeting their site criteria could be found. At that time, Savannah and the surrounding Chatham County did not have an industrial park or any large industrial sites ready for development. Losing these projects, SEDA President Richard D. Knowlton realized that large-scale service sites would have to be developed in Savannah for the community to be competitive.

With six possible sites, SEDA found land suitable for an industrial park within months. The best site, a tract of 1,784 acres off Godley Road, could be serviced by infrastructure (e.g., water, sewer) once extensions were made and accessible by rail, air, sea, and, with appropriate development, the Interstate. Most

¹ Information based on an interview with Richard D. Knowlton on May 16, 2000 and an article by Mr. Knowlton that appeared in the Economic Development Review. See "References."

importantly, the site was owned by a single landowner. At SEDA's request, Union Camp Corporation optioned the site to SEDA for the business park.

Once the land was optioned and values locked in, SEDA launched an international search for a private developer. However, no developer was willing to bear the risk of developing a park in Savannah, an untested market. SEDA committed itself as the developer, and approved a conceptual plan for the development of the Crossroads Business Center in 1988. In 1989, SEDA began working with the Georgia Department of Transportation to plan a new interchange to I-95 in 1989. At that time, wetlands constituted approximately 35 percent of the land designated for the park.

A change in the federal regulatory climate in early 1990 effectively delayed the development of Crossroads. The federal government dramatically changed the definition of a wetland, resulting in wetland status being assigned to greater portions of developable land in Savannah and other coastal communities. The new definition increased the land with wetland status in Crossroads from 35 to 85 percent.

The Clean Water Act requires companies seeking to locate on wetland property to obtain a 404 permit from the U.S. Army Corps of Engineers. According to Knowlton, this obligation poses significant challenges for such companies. First, the issuance of permits, or approval to develop, is based on subjective, non-standardized analyses concerning an individual company and a single tract of land. Second, seeking a permit requires the company to engage in an extensive due diligence process ranging from six to eighteen months, before knowing if it will be allowed to develop the property.

In 1990, another large company willing to commit to a \$1 billion investment approached SEDA about locating in Crossroads. The federal government, however, was unable to define the steps required for obtaining a permit and the timeframe within which a permit could be issued to this company. This coupled with the fact that there was no guarantee that a permit would be issued after due diligence was completed prompted the prospect to choose another community.

Knowlton realized that the permitting process would hinder Savannah's competitiveness for large-scale projects. In 1990, he sought advice from The Georgia Conservancy's Hans Neuhauser, an environmental scientist, about SEDA seeking a permit for the entire Crossroads Business Center (as opposed to having companies seek permits on a parcel by parcel basis). Knowlton believed that a macro view, rather than a micro view, was a more effective way to deal with the environmental issue. So did Neuhauser. Together, with the help and support of Ralph Lucurriso of the U.S. Army Corps of Engineers, they founded SEDA's approach and assembled a team - consisting of an environmental attorney and experts in the areas of civil engineering, environmental science, biological science, and other areas - to pursue a permit for the 1,784-acre park. While there

had not been a precedent, the U.S. Army Corps of Engineers supported the innovative approach of pre-permitting a large-scale area (even though impacts would have to be estimated) as a possible model for future permitting practices.

SEDA engaged in all the necessary due diligence for the entire park, and created a development plan that reflected both environmental concerns and economic development needs. The local zoning authority approved the plan and any necessary rezoning. In 1991, Crossroads Business Center became the first large-scale industrial park ever to receive a 404 permit.

Several factors, according to Knowlton, helped SEDA obtain the 404 permit for Crossroads:

1. Perseverance: Despite the overall sentiment that it could not be done, SEDA forged ahead with pursuing the 404 permit for Crossroads.
2. Commitment: SEDA was and remains equally committed to attracting economic development to and protecting environmentally sensitive property in Savannah.
3. Product Knowledge: SEDA studied the environmental, biological, and other natural intrinsic elements of the 1,784-acre park and surrounding property to fully understand the impact of development within that area and plan accordingly.
4. Leadership Commitment: SEDA enjoyed the full support of its board of directors who provided financial and other resources for the project.
5. Widespread Buy-In: SEDA identified all the direct and indirect stakeholders (e.g., government, neighbors, industrial users, Sierra Club, U.S. Environmental Protection Agency, U.S. Army Corps of Engineers, other environmental groups) and welcomed their participation in each decision involving Crossroads.

The groundbreaking ceremony for Crossroads was held in December 1994.

Organization

SEDA owns and manages the development of Crossroads Business Center.² SEDA negotiates and structures purchasing agreements with prospective investors, reviews site plans and coordinates development activity with the Architectural Review Board (ARB) and the local planning commission.

All site plans must be reviewed by the ARB to ensure compliance with guidelines and standards established for the park. The planning commission reviews site

² Union Camp Corporation optioned the site for the business park while SEDA conducted the due diligence. Once the due diligence process was complete, SEDA became the sole owner of Crossroads.

plans for conformance to municipal laws and issues building permits. The constant, coordinated working relationship among SEDA, the ARB, and the planning commission has created an efficient process for selecting and approving development for the park.

Crossroads Business Center has a property owner's association known as Crossroads Owners Association, Inc. which was created by SEDA in June 1995. Each company that has purchased property in Crossroads is a member company of the association with voting rights based upon the number of acres owned. A board of directors governs the association and is responsible for collecting membership dues, adopting and publishing rules and regulations, enforcing covenants, and other tasks relating to maintaining the overall park. Annual meetings of the board of directors and members are held in June of each year. Special meetings may be called throughout the year.

The Practice in Operation³

Crossroads Business Center - zoned as a planned unit development (PUD) with varied acceptable uses such as heavy industrial, office, warehouse/distribution, research and commercial - includes sites ranging from 4 acres to 160 acres. Surrounded by nearly 7,000 acres of natural buffering, the environmentally sensitive industrial park has been designed to preserve wildlife habitats, green space, and other intrinsic elements.

Financing Park Development. Union Camp Corporation agreed to hold the land until SEDA's development plans for the park were final. Once final, SEDA borrowed funds to purchase part of the property while Union Camp retained ownership of a tract of land it was intending to use for its engineering headquarters. Proceeds from the sale of property in Crossroads have been (1) allocated towards paying off any debt SEDA has incurred and (2) invested in a managed fund.

Infrastructure development was also needed for the park. Initially, SEDA traded assets in exchange for components of Crossroads and borrowed funding using its assets as collateral. For example, SEDA owned Kings Island located in the middle of the Savannah River. The Georgia Department of Transportation was interested in owning that property for dredge disposal purposes while SEDA was interested in having a \$7 million interchange built to connect the park to I-95. The exchange was made. For sewer and water infrastructure, the City of Savannah financed the initial development with the understanding that SEDA would eventually reimburse the city.

³ Information based on an interview with Richard D. Knowlton on May 16, 2000 and documents provided to investors of the Crossroads Business Center. See "References."

SEDA estimates the cost to develop Crossroads to range from \$20 to \$25 million. This equates to approximately \$11,000 to \$14,000 per acre.

Protecting Property. In June 1995, SEDA declared a set of protective covenants to "run with the land." The overall purpose of these covenants is to protect the park from development that would have the effect of lowering property values. The covenants specify uses allowed by the zoning and 404 permit (e.g., offices, retail and wholesale businesses, hotels, restaurants, banks, warehouses, distribution facilities, fabricating, professional or research development activities, assembly, production, manufacturing).

The covenants also protect the "preservation and habitat enhancement areas" (approximately 800 acres) within the park. Preserved land is delineated into three types: (1) land that allows walking only, (2) vacant land, and (3) land that can be impacted for a limited period of time but must evolve back into its natural state (e.g., land used to temporarily store dirt). A protected wildlife corridor extends throughout the park. Property owners are not permitted to place improvements upon or otherwise permanently alter these areas.

Reviewing and Approving Site Design. When prospective investors and companies are interested in Crossroads, they must submit a site plan to SEDA. SEDA links these investors with a variety of technical assistance resources such as engineering services to design a plan or legal counsel to ensure they can comply with the associated regulations. SEDA reviews all site plans for conformance to the protective covenants, environmental requirements associated with the 404 permit, and applicable zoning regulations, before brokering a purchasing deal. (Realizing that time is an essential factor, SEDA has expedited critical projects through the process in hours rather than days.)

Once a deal is brokered, prospective investors must submit an application to the Architectural Review Board (ARB) for approval to develop within Crossroads. The ARB is concerned with ensuring that development conforms specific site development standards (e.g., buffers, setbacks, open space, site work, architecture, landscaping, etc.) adopted by the Crossroads Owners Association, Inc. The ARB reviews all plans and specifications for site development and possesses the authority to approve or disapprove. The application process is as follows:

1. Applicants are encouraged to submit concept plans to the ARB for mutual review and acceptance of general design intentions and objectives.
2. Applicants are required to submit three sets of preliminary architectural and site plans to the ARB that includes a detailed topographic survey, building plans, and other site design descriptions.

Applicants are also required to submit a "planting plan" that includes placement and species of proposed new plant materials; a detailed

methodology for protecting existing trees or environmentally sensitive areas during the construction phase; and a plan illustrating how "preservation and enhancement areas" will be protected.

3. Once preliminary drawings are approved, applicants are required to submit three sets of completed site plans to the ARB.
4. SEDA must provide final site plans to the U.S. Army Corps of Engineers in accordance with the 404 permit.
5. The ARB provides comments to the applicants within 15 days of the submission of final site plans.
6. The ARB approves site plans that conform to the mutually agreed upon design.

Outcomes

SEDA has saved large-scale companies seeking to locate in Savannah six to eighteen months in the due diligence associated with the 404 permitting process for wetland property. Dollar Tree started construction in Crossroads within 30 days after the deal with SEDA was brokered.

As of May 2000, Crossroads Business Center includes four finished buildings, two buildings under construction, and one building proposed for speculation. Since its 1995 inception, Crossroads has attracted six large companies that account for an estimated investment of more than \$162 million and over 800 permanent jobs.

Company	Year	Square Feet	Original Investment	Permanent Jobs	Operation Type
Union Camp Corporation*	1995	50,000 - 70,000	\$4 m	NA	Engineering Headquarters
Home Depot	1995-96	1,400,000	+/- \$85 m	420	Deconsolidation Center
Carson Products	1998	100,000	\$8 - 10 m	70	Warehouse / Distribution
Lummus Corp.	1998	300,000	< \$15 m	250	World Headquarters and Manufacturing
Dollar Tree**	2001	800,000	\$35 m	120	Warehouse / Distribution
American Warehousing (Walmart)**	2001	800,000	\$15 m	150	Warehouse / Distribution
<p>*International Paper Corp. purchased Union Camp Corporation. As of May 2000, International Paper Corp. has been entertaining purchasing offers for the corporate headquarters facility in Crossroads once occupied by Union Camp.</p> <p>**Construction is not complete yet.</p> <p>Source: SEDA</p>					

Conclusion

While the federal change in wetland definition posed the same economic development challenges for all coastal communities, SEDA leveraged this change to develop an innovative tool for recruiting companies to a large tract of mostly wetland property in Savannah known as the Crossroads Business Center. By doing so, SEDA enhanced Savannah's competitiveness among port cities (e.g., Jacksonville, Miami, Norfolk, Charlotte, etc.) to attract large-scale projects.

Obtaining the 404 permit was the first step in a process to develop wetland property. As Knowlton explains, the Crossroads project has transformed SEDA from a pure business solicitor into a green park developer as well. SEDA is continually cautious in permitting development that will not have an adverse impact on the natural environs within and around Crossroads.

SEDA's efforts have earned it repeated recognition by the U.S. Environmental Protection Agency, U.S. Army Corps of Engineers, Sierra Club, other environmental groups, industrial real estate and development groups, and economic development organizations as a model approach to protecting environmentally sensitive wetland property while successfully pursuing economic development. As a result, several other communities have followed this approach for developing their large-scale service sites (with and without environmentally sensitive property), performing all the necessary due diligence before recruiting investors.

Acknowledgements

The author would like to thank and acknowledge two individuals for their assistance with this case study. In an interview on May 16, 2000, Richard D. Knowlton, C.E.D., President of the Savannah Economic Development Authority (SEDA) provided extensive information on the "Conditions Leading to the Practice," the practice, and outcomes. Tina Bonafacio, Project Assistant with SEDA, also detailed the outcomes. Mr. Knowlton and Ms. Bonafacio can be reached at the Savannah Economic Development Authority, 8001 Chatham Center Drive, Suite 300, Savannah, Georgia 31405, (voice) 912-447-8450, (fax) 912-447-8455.

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Chronology

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| 1986 | Two large-scale investors approach SEDA about locating in Savannah but, due to lack of ready sites, chooses to locate elsewhere |
| | SEDA began evaluating sites in Savannah and the surrounding Chatham County to develop a new industrial park |
| 1988 | SEDA approved conceptual plans for Crossroads Business Center, Savannah's first industrial park |
| 1990 | Federal government changed its definition of wetlands, increasing the amount of wetlands in Crossroads Business Center from 35 to 85 percent |
| | Large-scale investor seeks to locate in Crossroads, but due to new requirements associated with wetland property, chooses to locate elsewhere |
| | SEDA teams with The Georgia Conservancy and others to obtain a 404 permit for the entire park |
| 1991 | The U.S. Army Corps of Engineers awards SEDA a 404 permit to cover the entire Crossroads Business Center, the first ever awarded for an industrial park |
| 1994 | SEDA breaks ground on the Crossroads Business Center |
| 1995 | SEDA creates covenants for Crossroads Business Center designed to protect the environmentally sensitive property and natural habitats of wildlife |
| | Union Camp Corporation is the first investor to locate in Crossroads Business Center |